



CITY OF HAYWARD

AGENDA REPORT

AGENDA DATE 06/24/03

AGENDA ITEM 5

WORK SESSION ITEM _____

TO: Mayor and City Council

FROM: City Attorney

SUBJECT: Authorization for City Manager to Negotiate and Execute a Joint Powers Insurance Purchase Agreement

RECOMMENDATION:

It is recommended that the City Council authorize the City Manager to negotiate and execute any documents necessary to enter into a joint powers authority for the purposes of jointly purchasing general municipal liability insurance.

BACKGROUND:

For the past seven years the City of Hayward has purchased general liability insurance on the commercial market. During that period, the City was able to take advantage of a soft insurance market to save more than \$500,000 per year in insurance premiums. Subsequent to the September 11th disaster, many of the insurance carriers who previously underwrote insurance in California began to discontinue their municipal insurance lines. Last month, Insurance Company of the West, who provided Hayward insurance during the past six years, notified the City that it would no longer participate in the California market. As a result of the changed conditions, our current brokers have had a difficult time finding coverage for the City at a reasonable rate. To date, we have received only one quote with an annual premium of nearly \$560,000. If accepted, the City would experience an increase of more than \$320,000 over last year's premium. While we are still waiting on other quotes, time is becoming critical since our insurance expires on June 30, 2003.

Many other cities in California are also experiencing difficulty in obtaining reasonable coverage. In response to the current crisis, a group of cities is exploring the possibility of banding together to jointly purchase liability insurance. Since a multiple cities purchase would enhance individual cities buying power, it may be possible to purchase coverage directly from the re-insurance market thereby considerably reducing costs. Unlike BCJPIA, which the City withdrew from seven years ago, the joint powers authority is being created for the sole purpose of purchasing insurance and will not be a "risk sharing pool". In other words, we will be covered by a commercial insurance policy, as we now are, and will not be exposed to liability because of another city's loss. Considering the difficulty that Hayward is currently

experiencing, it is staff's opinion that exploring the potential for savings with a group purchase is prudent. Given the timing, this new joint powers agency would need to move very fast during the next two weeks. Therefore, it is recommended that the City Council authorize staff to negotiate and execute a joint powers agreement for the joint purchase of municipal liability insurance if it is determined that the City will be able to obtain the same or greater level of coverage and realize a savings compared to purchasing individual insurance in the commercial market.

Prepared by:

A handwritten signature in cursive script, appearing to read "M. O'Toole", written over a horizontal line.

Michael O'Toole, City Attorney

Approved by:

A handwritten signature in cursive script, appearing to read "Jesús Armas", written over a horizontal line.

Jesús Armas, City Manager

Attachment: Draft Resolution

DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. _____

Introduced by Council Member _____

me
6/19/03

RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE DOCUMENTS NECESSARY FOR THE CITY TO JOIN THE CALIFORNIA RISK MANAGEMENT AUTHORITY JOINT POWERS AUTHORITY

WHEREAS, the City Council finds that the current state of the insurance market in California has made it difficult for many cities to obtain adequate liability insurance coverage at a reasonable rate; and

WHEREAS, the Council has determined that it is prudent for the City to explore the benefits that may be derived from a joint purchase of insurance with other municipalities; and

WHEREAS, Government Code § 990.8 provides that two or more local public entities may enter into joint powers authorities to provide for risk management, claims, and insurance purposes; and

WHEREAS, a number of cities throughout California are exploring the possibility of forming a joint powers authority (JPA) to jointly purchase insurance; and

WHEREAS, such JPA will be known as the California Risk Management Authority (CRMA), and

WHEREAS, CRMA has expressed interest in providing general municipal liability insurance coverage for the City of Hayward.

NOW THEREFORE, be it resolved by the City Council of the City of Hayward that the City Manager is hereby authorized to negotiate and execute any and all documents necessary to become a member of the joint powers authority known as California Risk Management Authority.

BE IT FURTHER RESOLVED, that all documents shall be in a form approved by the City Attorney.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2003

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the Cit of Hayward